



# Investor Report

One Call - One Solution from Get There First Realty

## New Year-Same Soft Marketplace

Every few years a book gets published announcing impending doom for the equity markets. Authors simply study financial conditions and easily determine stock values are over rated. I have always determined values based on cash flow and not "potential" property appreciation so this is why I am so conservative in offering my investment perspective. I continue to speak out against seminar experts claiming what it costs to maintain and manage a rental. They say 5% and often this is the misleading factor used to factor what one might pay for a rental. Each year GTF examines nearly 1500 1099 tax statements, and we find the average cost to maintain and manage to be well over 30%. This is a huge disparity and often the reason most of my clients overpay and continue to feed their rentals. Well over 90% of our clients lose money on their rentals and wish they never bought them. My opinion is your true cost to carry a rental without a mortgage is 50% of every dollar of rent. If you have debt it is practically impossible to reach true cash flow unless you are paying well below 50 times the monthly rent when purchasing. Most investors pay closer to 100 times monthly rent often relying on future appreciation which rarely happens here.

Many of you will soon receive your tax appraisal statements from the City. I encourage all of you to petition these values by using a tax abatement company. Many of our clients have been happy with John Hirschy at 972-304-0909. If you cannot pay your taxes and want to reduce the penalties from the City, a firm which finances tax payments is called TaxEase at 972-233-4929. Valuation is an objective process and getting professional opinions to determine accuracy is smart business to save \$.

Activity Statistics Dallas/Ft. Worth Market	
Previously owned homes sold in D/FW	Jan 2005 FLAT
	Feb 2005 +5%
	Mar 2005 -1%
YTD sales trend	+ 2%
Median price trend	Less than 1%
Average days selling a home	77 days
D/FW Vacant Office Space	20.2% !!
Home foreclosures	Texas is #1 in the US, 31,000 in DFW
Rental occupancy	Fallen to 89%. 95% is optimal for investors to make \$



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## Stocks Were Down

My favorite publication to read is "The Sunday New York Times." Their most recent description of the equity markets of the first quarter said, "The Quarter When Nothing Worked." I feel differently because interest rates did rise, and this is good if you invest in fixed income securities. It also squeezes first time home buyers and that helps rentals. If you hold debt in adjustable rate mortgage instruments I apologize because it hurts you, but this is a risky way to position debt. Overall the Dow dropped 2.6%, the NASDAQ was down 8.1% and the S & P 500 lost 2.6%. Perhaps oil prices are causing the markets to be depressed.



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## Industry Trends

I believe the market is flooded with new rentals. Our economy is better, but it appears many new homes are being sold to investors instead of to owner occupants. This is the result of many "get rich quick" seminars sweeping the country. I have yet to manage for an owner who has made money buying a new home in North Texas, but they are easier to maintain and finance. Each month we take on over 40 new rentals and many are new home investors. Some good news locally is unemployment is down to 5.4% from 6.2% a year ago allowing more people to work. But we are still loaded with inventory and some properties sit vacant for 3-6 months until they are leased. GTF maintains a straight forward opinion that if your property is not 100% perfect and priced less than market it will most likely NEVER lease. We confront this issue everyday when an owner offers us the ability to remedy a cosmetic defect "when you get an offer." We answer that this is like selling dirty new cars when there are 100,000 other cars that are perfect and clean available for sale. It doesn't matter that you'll clean it when I buy it because I've already driven off the other lot with a car that was ready. Less than perfect make readies will never lease when we continue to be loaded with over 100,000 vacancies to compete against. Get your vacancies to sparkle, get your rents competitive.

Average income for Americans declined for the last two years by 5.7% This is actually 9.2% if you adjust for inflation. This has pressured rents to be lowered as well, and we find it very difficult to raise rents or even hope to match what we rented a home for last time. That is why GTF often asks for a two year lease hoping to lock in a higher rent rate when compared to what the home will most likely rent for in two years. In the D/FW area 1/3 of all homeowners spend almost 1/3 of their income on housing. This is up from 20% in 2000. This trend makes it better to rent than to own.

A good part of what we do is to make your tenants feel good about paying rent versus losing money with home ownership. This creates retention and nothing saves you more money than having extended occupancy. Currently there is \$53 million in delinquent credit card debt on \$36 billion in total debt. The North Texas area has the worst credit scores in the country so making educated housing decisions and keeping your tenants paying rent is one of the main messages GTF conveys to your tenants. Nationally, owning costs 7% more each month than renting and with negative appreciation in many areas of D/FW it makes no sense to not renew your lease.

## Get There First Updates

The City of Dallas now issues tickets similar to traffic tickets against homeowners who allow trash outside their rent homes. Though it is a tenant-caused problem, the homeowner is ticketed. We have recently been involved with several cases and none are worth fighting. I recently evicted a tenant and they called the city to have me personally ticketed for their messy home. It was my pleasure to pay the fine, which was reduced by the judge 95%, and get out of court. You can't beat City Hall and this is just another landlord nuisance and a good reason to be a mortgagee and not a landlord.

I am speaking on May 16th from 7-9 PM to the Association of Independent Real Estate Owners (AIREO) at the Doubletree Hotel at Campbell Center in Dallas. My topic is investment strategy and landlord tips. If you would like to attend please call John Zarella at 214-761-1996. On September 21st I'll be the keynote speaker to The National Association of Residential Property Managers convention in Salt Lake City. My topic will be on Portal Internet Real Estate Marketing strategies. GTF is exploding with web based marketing usage by prospective and current tenants. Our web page [www.dfwlandlord.com](http://www.dfwlandlord.com) has subscribers looking for rentals everyday, owners accessing contracts, and of course lots of properties for lease. We are always trying to stay innovative.

A handwritten signature in purple ink that reads "Mark H. Kreditor". The signature is written in a cursive, flowing style.

**Mark H. Kreditor, MPM  
Broker**